GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1901
ANSWERED ON:29.11.2002
TRADE AGREEMENTS BETWEEN INDIA-NEPAL
BHARTRUHARI MAHTAB;SUBODH MOHITE

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the details of revised Indo-Nepal Trade Treaty;

(b) the changes made in the earlier treaty;

(c) whether Nepal Government has asked for further certain modifications to the Indo- Nepal Trade Treaty which was renewed in March, 2002;

(d) if so, the details thereof;

(e) the reasons forwarded for changes in treaty; and

(f) the reaction of the Indian Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI RAJIV PRATAP RUDY)
(a) & (b) : The India-Nepal Treaty of Trade was reviewed and revised through exchange of letters by Commerce Secretaries on2nd March, 2002. The salient features of the revised Treaty alongwith the important changes carried out in the reviewed Treaty over the corresponding provisions in the earlier Treaty are given below :-

(i) The validity of the Treaty has been extended for a period of 5 years w.e.f. 6th March, 2002.

(ii) The following changes have made in Protocol V and IXw.r.t. Articles V and IX of the Treaty to improve theearlier provisions in the Treaty :
(a) To be eligible for duty free access into the Indian market, the articles manufactured in Nepalshould have undergone a four digit level change in the H.S. Code numberdifferent from those in which all the third countries origin materials used in its manufacture are classified and the manufacturing process in Nepal should ensure atleast 25% value addition during the period 6th March, 2002 to 5th March, 2003 and 30% value addition from 6th March, 2003 onwards.
(b) In cases where the condition of four digit level change is not fulfilled, Government of India would consider preferential access for such articles manufactured in Nepal on a case by case basis after satisfying itself that such article has undergone a sufficient manufacturing process in Nepal.
(c) In the case of vegetable fats, acrylic yarn, copper products and zinc oxide duty free import from Nepal shall be allowed only upto the specified quantities in a year.
(d) For the Nepalese products which do not fulfill the prescribed conditions for preferential access to the Indian market, Government of India will provide normal access to the Indian market on MFN basis.
(e) The articles manufactured in small scale units in Nepal will get relief in the levy of additional customs duty at par with the facilities applicable to similar small scale units in India in the levy of applicable excise duty.
(f) In the case of reasonable doubts about the authenticity of the Certificate of Origin, the Indian Customs authorities may seek a clarification from the certifying Nepalese agency and if necessary a joint visit to the manufacturing facilities in Nepal could also be made.
(g) In case where preferential access to a particular item leads to injury to the industry in the importing country, joint consultations would be held to address such issues and if consultations do not lead to satisfactory solutions, the requesting Government shall be free to take appropriate remedial measures.
(c) to (f) : His Majesty`s Government of Nepal requested for removal of copper products under Chapter 74 of H.S. Code from thelist of Tariff Rate Quota items on the ground that the quantitative ceiling of 7,500 MTs per annum prescribed under Annexure-C to the revised Treaty of Trade is not sufficient to meet the requirements of their manufacturing units. Government of India have considered this request and is considering the increase of the quantitative ceiling suitably for copper products under Chapters 74 and heading 85.44 of H.S. code.